Electronic VAT Books – New "Immediate Supply of Information-SII" system approved with effects as of 1st July 2017

Tax Alert | December 7, 2016

Royal Decree 596/2016 of 2nd December, has just been approved and introduces the new "Immediate Supply of Information (SII)" system, which will enter into force on 1st July 2017.

This system marks a shift in the way in which the taxpayers concerned will deal with the Tax Authorities.

These taxpayers must keep their VAT Books through the Tax Authorities website, as opposed to internally (as has been the case until now), by furnishing their invoicing records online and almost immediately to the Tax Authorities.

Certain key issues are summarized below:

Who is obliged to follow this new system?

- SII will be mandatory for all taxpayers that file monthly VAT returns, i.e. large companies, entities forming part of a VAT group and taxpayers that have opted for the special monthly VAT refund regime.

- SII will be voluntary for any other taxpayer who wishes to apply it by submitting the corresponding application in the month of November prior to the beginning of the calendar year. For 2017, the application will have to be submitted in June 2017, being compulsory for these taxpayers to file monthly VAT returns.

When will it enter into force?

- Generally, on 1st July 2017 for the second half of 2017.
• However, there is a retroactive obligation, as for the first half of 2017 it will be mandatory to furnish all data by 31st December 2017, the latest.

• The order developing the exact filing procedure through the Spanish Tax Authorities website is still to be approved. The filing will be made either via an online form or the website, according to the established registration requirements.

**How must these Books be kept?**

• **Book of Invoices Issued:**
  
  ✓ The information to be furnished will be the same as that currently recorded in the Book, plus certain additional information:

  - Simplified/complete invoice
  - Description of transactions
  - Details of rectifying invoices
  - Exemptions, reverse charge, special regimes, etc.
  - Intercompany invoices (VAT Group)
  - VAT payment period
  - Where appropriate, registry rectification
  - Simplified invoices replacement.
  - Where appropriate, not subject to VAT
  - Where appropriate, special authorization

  ✓ The deadlines for furnishing this information are:

  - As a general rule, 4 days from the invoice issue date;
  - 8 days where issued by the recipient or a third party;
  - In both cases, the final deadline will fall on the 16th day of the month following the tax point.
  - **Exceptionally,** for the period from 1st July to 31st December 2017, the deadline will be 8 days (instead of 4 days).

• **Book of Invoices Received:**

  ✓ The information to be furnished will be the same as that currently recorded in the Book, plus certain additional information:

  - Invoice number and series
  - Description of transactions
  - Where appropriate, invoicing by recipient or a third party
  - Where appropriate, reverse charge, special regimes, etc.
  - Intercompany invoices (VAT Group)
  - VAT deductible in the period
  - Where appropriate, registry rectification.
  - VAT return

  ✓ The deadlines for furnishing this information are:
As a general rule, **4 days** from the date on which the invoice is recorded in the books;
4 days from the date on which the SAD is recorded in the books in the case of imports;
In both cases, the **final** deadline will fall on the **16th day** of the month after the transaction is declared.
**Exceptionally**, for the period from 1st July to 31st December 2017, the deadline will be **8 days** (instead of 4 days).

- **Other Books:**

  - The SII system also requires the **Book of Capital Goods** and the **Book of certain Intra-Community Transactions** to be kept through the Tax Authorities website.

**Some issues to be borne in mind when applying the new system**

- While the deadlines for reporting data refer to calendar days, **Saturdays, Sundays and national holidays are not included**.
- **Summary entries may be made** for simplified invoices, as has been the case with the Books until now.

**What is new with respect to the VAT returns?**

- It will no longer be necessary to file the informative return on the transactions included in the books (form 340), the annual declaration of transactions with third parties (form 347) or the annual summary VAT return (form 390).
- **The deadline for filing monthly VAT returns will be extended**, now falling on the **30th of each month** (and the last day in February).
- Additionally, the Tax Administration will provide the taxpayers with the information gathered through the SII prior to its submission.

**What happens if this new obligation is not fulfilled correctly?**

- There is an infringement consisting of late reporting of data via the SII system (0.5% of the amount of each invoice, with a minimum of €300 and a maximum of €6,000 per quarter).
- In addition, it could impact the recovery of input VAT.

**Other changes**

This Royal Decree has introduced the following additional changes:

- **Deadline for sending invoices to clients.** Changes from one month after the issuance date, to the 16th of the month following the tax point. This enters into force on the 1st January 2017.
- **Invoicing by client or third party.** Taxpayers obliged to use the SII system that have allowed their client or a third party to issue their invoices are obliged to inform the Tax Authorities. For 2017, this communication shall be made as of June 2017.
In summary, this system is a revolutionary way of keeping VAT Books, highlighting the critical role played by proper data management given the large volume of information to be furnished within very tight deadlines.

Please do not hesitate to contact KPMG Abogados’ Indirect Taxation team if you wish to discuss any of these matters.

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